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Message Text

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60
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

XMB-02 /102 W
---------- 104456
R 221326Z JUL 76
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 1091
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY MEXICO

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EO 11652: NA
TAGS: ENRG, EINV, PE EALR
SUBJ: PETROLEUM - OCCIDENTAL SPUR FINANCING: PHILIPP
BROTHERS OUT OF RUNNING

REF: LIMA 5473

1. SENIOR OFFICIAL OF COFIDE HAS CONFIRMED TO EMBASSY ECON
COUNSELOR REPORTS WE HAVE RECEIVED IN LAST WEEK THAT GOP
HAS REMOVED FROM ITS CONSIDERATION PROPOSAL OF PHILIPP
BROTHERS (A DIVISION OF ENGELHARD MINERALS) FOR FINANCING
OF SPUR LINE JOINING PRINCIPAL NORTHERN PERU PIPELINE TO
OCCIDENTAL PETROLEUM FIELDS (LIMA 5473). ACCORDING TO SOURCE,
WHO IS MEMBER OF RECENTLY ESTABLISHED GOP MULTI-SECTORAL
COMMISSION STUDYING SPUR LINE FINANCING CONSTRUCTION PROPOSALS,
MAJOR FACTOR IN DISCARDING PHILIPP BROTHERS PROPOSAL WAS
DISATTISFACTION EXPRESSED BY PRINCIPAL (ESPECIALLY EUROPEAN)
END USERS OF PERU'S MINERALS WITH INTERMEDIARY ROLE TO
BE PLAYED BY THE ENGELHARD SUBSIDIARY.
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2. MULTI-SECTORAL COMMISSION IS NOW STUDYING PROPOSALS SUBMITTED BY ARGENTINE FIRM, TECHINT, WHICH IS CONTRACTOR FOR PORTION OF PRINCIPAL PIPELINE, AND MEXICAN FIRM PROTEXA, WHICH ACCORDING TO COFIDE SOURCE, HAS BUILT ABOUT 50 PERCENT OF PIPELINES FOR PEMEX IN MEXICO. SOURCE INDICATES THAT AT THIS POINT GOP MORE LIKELY TO CHOOSE PROTEXA SINCE MEXICO'S EXPORT FINANCING AGENCY, FOMEX, HAS OFFERED TO PROVIDE $80 MILLION TO FINANCE CONSTRUCTION BY THE MEXICAN FIRM. TERMS ARE SAID TO BE EIGHT-YEAR REPAYMENT SCHEDULE AT LOW INTEREST. IN CONTRAST, ARGENTINE GOVERNMENT IS NOT NOW IN CONDITION TO PROVIDE EQUIVALENT EXPORT FINANCING FACILITIES TO ASSIST TECHINT IN ITS PROPOSAL.

3. SOURCE ALSO INDICATED THAT GOP IS CONTINUING TO DISCUSS DIRECTLY WITH ITS REGULAR MINERALS CUSTOMERS THE POSSIBILITY OF THEIR PROVIDING FINANCING IN RETURN FOR GOP COMMITMENT TO PROVIDE CERTAIN QUANTITY OF MINERALS. HE SAID THAT SUCH AN ARRANGEMENT WOULD BE LESS SPECIFIC THAN FRONT-END FINANCING SCHEME PROPOSED BY PHILIPP BROTHERS AND THUS WOULD BE LESS LIKELY TO ANTAGONIZE FOREIGN COMMERCIAL BANKS WHO HAVE EXPRESSED MISGIVINGS OVER PERU'S EARMARKING PROCEEDS OF ITS MINERAL SALES TO OTHER THAN PERU'S MAJOR BANK CREDITORS. IF DISCUSSIONS WITH THESE CUSTOMERS ARE SUCCESSFUL, THEN GOP COULD DEAL DIRECTLY WITH PIPELINE CONSTRUCTION FIRMS REGARDING SPUR LINE. IN THIS CASE, WILLIAMS INTERNATIONAL, WHOSE PROSPECTS FOR PARTICIPATION IN SPUR LINE CONSTRUCTION ARE REDUCED WITH ELIMINATION OF PHILIPP BROTHERS' PROPOSAL FROM GOP'S CONSIDERATION, WOULD HAVE FURTHER CHANCE TO TAKE PART IN PROJECT.
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